



Business-Cooperative Programs B&I Guaranteed Loan Program

Committed to the future of rural communities.

The Business and Industry (B&I) Guaranteed Loan program provides a guarantee of up to 80% on traditional lender loans.

The primary purpose of the program is to create and maintain employment and improve the economic climate of the rural community by providing financial backing for new and expanding businesses.

By expanding the lending capability of private lenders in rural areas, the loan guarantee program helps the lenders make and service quality loans that provide lasting community benefits.

The guarantee allows the lender to provide better rates and terms to businesses through use of the secondary market.

The maximum aggregate loan amount for the guarantee program is \$25 million.

Eligible Applicants

B&I guaranteed loans are available to any legal entity or business which will save or create jobs in areas outside any city with a population of 50,000 or more and its immediately adjacent urbanized area.

Applicants must be US Citizens or legally admitted aliens.

This includes virtually any legally organized entity, including corporations, partnerships, cooperatives, Federally-recognized Indian Tribes, and individuals.

The guaranteed portion of the loan does not count against the financial institution's lending limits.

All or part of the guaranteed portion may be sold on the secondary market.

Both promissory notes and bonds can be guaranteed.

Eligible Loan Purposes

Eligible loan purposes include:

- ✓ purchase and expansion of land, buildings, and equipment;
- ✓ working capital;
- ✓ some agriculture production when connected with processing or value-added;
- ✓ tourism;
- ✓ recreational facilities.

USDA Rural Development Montana
www.rurdev.usda.gov/mt/

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The USDA is an Equal Opportunity
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Complaints of discrimination
should be sent to:

USDA, Director,
Office of Civil Rights

1400 Independence Ave. SW

Washington, DC 20250-9410

800-795-3272 (voice) 202-720-6382 (TDD)

Existing lender debt may be included if:

- ✓ the loan has been current for at least the past 12 months;
- ✓ if the lender is providing better rates or terms; and
- ✓ refinancing amount is less than 50% of the total loan.

Terms and Conditions

The maximum guarantee amount for loans up to \$5 million is 80%. Loans of more than \$5 million can be guaranteed up to 70%.

For “special needs” projects of up to \$10 million, the Administrator will review requests for 81-90% guarantees.

Eligible lenders (banks, S&L, Credit Union, insurance companies) buy the guarantee from Rural Development for an upfront fee of 2% of the guaranteed portion of the loan.

In addition, an annual servicing fee of 1/4% of the guaranteed principal portion, as of December 31 of each year, will be charged to the lender. The amount due is payable by January 31 each year and may be passed on to the borrower.

The lender and business negotiate interest rates, which may be fixed or variable. Variable interest rates should be based on a published base rate.

The term of the loan is negotiated with the lender and is typically 15-25 years for real estate, 7-10 years for M&E (depending on the useful life) and 7 years for working capital.

Security & Equity

Normally there must be sufficient collateral to secure the loan after the collateral is discounted. Appraisals are required on all collateral.

All financial statements must be completed in accordance with Generally Accepted Accounting Principles (GAAP).

A *minimum* of 20% tangible book equity is required for new businesses, and 10% is required for existing businesses. Businesses with higher risk may require higher book equity.

For More Information

If you would like more information about the B&I Guaranteed Loan program, please contact your nearest area office or Rural Development at (406) 585-2540.

